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FEDERAL COMMUNICATIONS COMMISSION  
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AUG 1993

MM Docket 92-266

IN REPLY REFER TO:

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AUG 16 1993

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Honorable Sonny Callahan  
House of Representatives  
2418 Rayburn House Office Building  
Washington, DC 20515

Dear Congressman Callahan:

Thank you for your letter on behalf of Del Layne, Manager-Partner, Cable Management Group, Inc., Gulf Shores, Alabama. Your constituent is concerned about effect of the new rate regulations on small cable operators.

On August 10, 1993, the Commission granted a temporary stay of the rate regulations for small systems with 1,000 or fewer subscribers (see enclosure). Your constituent's comments will be placed in the record of this proceeding.

Sincerely,

*Roy J. Stewart*

Roy J. Stewart  
Chief, Mass Media Bureau

Enclosure

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**SONNY CALLAHAN**

1st District, Alabama

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**Congress of the United States  
House of Representatives**

Washington, DC 20515-0101

July 14, 1993

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Mr. Terry Haines  
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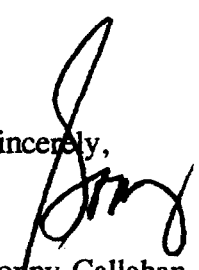
Dear Mr. Haines:

The attached communication is submitted for your consideration, and to ask the request made therein be complied with, if possible.

If you will advise me of your action in this matter and have the letter returned to me with your reply, I will appreciate it.

With kindest regards, I am

Sincerely,

  
Sonny Callahan  
Member of Congress

SC:bs

**CABLE MANAGEMENT GROUP, INC.**  
**Post Office Box 2330**  
**Gulf Shores, AL 36547**

**July 7, 1993**

**Congressman H.L. "Sonny" Callahan**  
**2418 Rayburn House Office Building**  
**Washington, DC 20515**

**Dear Congressman Callahan,**

**It is my hope by this letter to apprise you of the effects that the new FCC rules governing cable television are having on our business. We operate a small cable television system in southern Alabama. For many years we have conducted our business as good citizens. We have been fair to our customers and have resisted price increases whenever possible.**

**Now, because of these new rules, we have been forced into technical default of our loans for the first time in almost 20 years of furnishing cable service to rural areas. The consequences of this are dramatic. It prevents us from getting the necessary funds to provide the upgrades to our system as technology advances. We are further prevented from building into new neighborhoods as they build-up, having the added effect of putting us into default of our franchise with the county.**

**We are in fact now "dead-in-the-water" and cannot progress in any direction. We are now compelled to seek a buyer for our system under very unfavorable conditions to both us and our employees.**

**Please consider these points:**

- 1. LESS DENSE AREAS SERVED - Small operators, such as we, furnish cable to areas that larger companies ignore. We build sections that average 20 homes per mile or less while they require an average of 35 to 50 homes per mile. We must maintain more miles of plant per customer than larger operators forcing costs up.**
- 2. LOCAL TAXES - We are required to pay 5% of our basic GROSS to the county in addition to enormous ad valorem taxes.**
- 3. DISCRIMINATE PRICING - Small operators are forced to pay more for their programming. This in some cases exceeds 100% above that of large companies.**

Congressman H.L. "Sonny" Callahan  
Page 2,

4. **PROGRAMMING COSTS INCREASES** - For example in 1986 we paid 6 cents per sub/month to ESPN for programming, we now must pay 57 cents per sub/month. Other programmers such as WTBS now demand 28 to 40 cents per sub/month when they too were in the single digits under the old regulation.

5. **CHANNEL INCREASES** - After deregulation many new channels were added to meet customer demands yet our price per channel has declined. In 1986 under the previous regulations we furnished 17 channels of basic service for 12.95 monthly (76 cents per channel). Our standard package now has 30 channels for 20.95 monthly (70 cents per channel). Is this not a greater value?

6. **NEW PROGRAMMING COSTS** - The new regulations now require that we pay the local stations for their programming, if they so demand, yet we are prevented by that same rule from passing along the cost. We have only one way out and that is to remove those channels from our lineup. It is difficult to see anyone gaining from this. Why shouldn't the subscriber be given a choice in the matter? Let him pay the extra for the local channels if he wants them or otherwise decline those stations.

We have for a number of years provided jobs to 7 people in Baldwin County. Heretofore our small company has furnished our employees with health insurance with 80% of the cost paid by the company, a moderate vacation package and holiday pay, all are now in jeopardy. We have been forced to defer all increases in pay and other benefits as well as a cut back on hours. Additionally we must now entertain the real possibility of a reduction of our staff, impeding our ability to continue the service level our customers have enjoyed in the past.

It is obvious to those who care to reflect on the subject that no one benefits from these rules. The consumer will be forced to watch his local stations on an antenna with a degraded signal. Sparsely populated areas will no longer be cabled. The cable employees will have less to look forward to in their jobs or no job at all.

After all these years we have become just one more small business being forced out by harsh government regulations. Where is the sanity?

Sincerely,

  
Del Layne  
Manager-Partner